

**CITY OF LAKE CITY, MICHIGAN**

**MARCH 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Lake City</b>	County <b>Missaukee</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>6/18/04</b>	Date Accountant Report Submitted to State: <b>8/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature 		Date <b>8.9.04</b>	

REPORT OF EXAMINATION

CITY OF LAKE CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGES</u>
Independent Auditors' Report .....		1
<u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u>		
Combined Balance Sheet - All Fund Types and Account Group and Discretely Presented Component Unit .....	1	2-3
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Fund Types and Discretely Presented Component Unit .....	2	4-5
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual - General and Special Revenue Fund Types .....	3	6-7
Combined Statement of Revenues, Expenses and Changes In Retained Earnings - All Proprietary Fund Types .....	4	8-9
Combined Statement of Cash Flows - All Proprietary Fund Types .....	5	10-11
Notes to Financial Statements .....		12-23
Independent Auditors' Report on Additional Information .....		24
<u>FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS</u>		
	<u>STATEMENT</u>	
<u>General Fund</u>		
Comparative Balance Sheet .....	A-1	25
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	A-2	26
Analysis of Revenues - Budget and Actual .....	A-3	27
Analysis of Expenditures - Budget and Actual .....	A-4	28-31
<u>Special Revenue Funds</u>		
Combining Balance Sheet .....	B-1	32
Combining Statement of Revenues, Expenditures and Changes In Fund Balances .....	B-2	33
<u>Major Street Fund</u>		
Comparative Balance Sheet .....	B-3	34
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	B-4	35-36

REPORT OF EXAMINATION

CITY OF LAKE CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Local Street Fund</u>		
Comparative Balance Sheet .....	B-5	37
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	B-6	38
<u>Fire Fund</u>		
Comparative Balance Sheet .....	B-7	39
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	B-8	40
<u>Law Fund</u>		
Comparative Balance Sheet .....	B-9	41
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	B-10	42
<u>Cemetery Fund</u>		
Comparative Balance Sheet .....	B-11	43
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual .....	B-12	44
<u>Debt Service Funds</u>		
Combining Balance Sheet .....	C-1	45
Combining Statement of Revenues, Expenditures and Changes In Fund Balance .....	C-2	46
<u>Transportation Debt Retirement Fund</u>		
Comparative Balance Sheet .....	C-3	47
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance .....	C-4	48
<u>1997 Sanitary Drain Debt Retirement Fund</u>		
Comparative Balance Sheet .....	C-5	49
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance .....	C-6	50
<u>Enterprise Funds</u>		
Combining Balance Sheet .....	D-1	51-52
Combining Statement of Revenues, Expenses and Changes In Retained Earnings .....	D-2	53-54
Combining Statement of Cash Flows .....	D-3	55-56

REPORT OF EXAMINATION

CITY OF LAKE CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Water Fund</u>		
Comparative Balance Sheet .....	D-4	57
Comparative Statement of Revenues, Expenses and Changes In Retained Earnings .....	D-5	58-59
Comparative Statement of Cash Flows .....	D-6	60
<u>Sewer Fund</u>		
Comparative Balance Sheet .....	D-7	61
Comparative Statement of Revenues, Expenses and Changes In Retained Earnings .....	D-8	62-63
Comparative Statement of Cash Flows .....	D-9	64
<u>Internal Service Funds</u>		
<u>Equipment Fund</u>		
Comparative Balance Sheet .....	E-1	65
Comparative Statement of Revenues, Expenses and Changes In Retained Earnings .....	E-2	66
Comparative Statement of Cash Flows .....	E-3	67
<u>Fiduciary Funds</u>		
Combining Balance Sheet .....	F-1	68
Combining Statement of Changes in Assets and Liabilities .....	F-2	69
<u>Tax Collection Fund</u>		
Statement of Changes In Assets and Liabilities .....	F-3	70
<u>Payroll Fund</u>		
Statement of Changes in Assets and Liabilities .....	F-4	71
<u>General Long-Term Debt Account Group</u>		
Comparative Statement of General Long-Term Debt .....	G-1	72
<u>Component Units</u>		
Combining Balance Sheet .....	H-1	73
Combining Statement of Revenues, Expenditures and Changes In Fund Balances .....	H-2	74

REPORT OF EXAMINATION

CITY OF LAKE CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Downtown Development Authority Fund</u>		
Comparative Balance Sheet .....	H-3	75
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance .....	H-4	76
<u>Downtown Development Authority Debt Retirement Funds</u>		
Combining Balance Sheet .....	H-5	77
Combining Statement of Revenues, Expenditures and Changes In Fund Balances .....	H-6	78
<u>Downtown Development Authority 1993 Debt Retirement Fund</u>		
Comparative Balance Sheet .....	H-7	79
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance .....	H-8	80
<u>Downtown Development Authority 2000 Debt Retirement Fund</u>		
Comparative Balance Sheet .....	H-9	81
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance .....	H-10	82
<u>Component Unit General Long-Term Debt</u>		
Comparative Statement of Component Unit General Long-Term Debt	H-11	83
<u>OTHER INFORMATION</u>	<u>SCHEDULE</u>	
1997 Sanitary Drain Commission		
Bonds Payable .....	1	84
Downtown Development Series 2000		
Bonds Payable .....	2	85

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MICHAEL D. COOL, C.P.A.

May 21, 2004

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Lake City, Michigan

We have audited the accompanying general-purpose financial statements of the City of Lake City, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Lake City, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above, do not include the general fixed assets account group required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lake City, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop PC

CITY OF LAKE CITY, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP AND  
DISCRETELY PRESENTED COMPONENT UNIT

MARCH 31, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE
<u>ASSETS AND OTHER DEBITS</u>					
<u>ASSETS</u>					
Cash	\$ 223,400	\$ 128,696	\$ 112,528	\$ 120,758	\$ 139,596
Receivables					
Taxes	0	0	0	0	0
Accounts	3,790	15,046	5,141	23,329	0
Inventory	0	0	0	32,632	0
Due from Other Funds	185,308	85,796	0	19,000	59
Due from Primary Government	0	0	0	0	0
Due from Other Governments	9,982	23,471	0	0	0
Prepaid Expense	1,649	351	0	2,492	1,141
Property, Plant and Equipment (Net)	0	0	0	1,860,642	126,098
Restricted Assets					
Cash	0	0	0	143,977	0
Special Assessments Receivable	0	0	0	122,803	0
<u>OTHER DEBITS</u>					
Amount Available in Debt Service Funds	0	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0
 TOTAL ASSETS AND OTHER DEBITS	 \$ 424,129	 \$ 253,360	 \$ 117,669	 \$ 2,325,633	 \$ 266,894



EXHIBIT 1

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS	TOTALS (MEMORANDUM ONLY)
	GENERAL	PRIMARY	DOWNTOWN	REPORTING
	LONG-TERM	GOVERNMENT	DEVELOPMENT	ENTITY
	DEBT		AUTHORITY	
\$ 334,344	\$ 0	\$ 1,059,322	\$ 49,699	\$ 1,109,021
65,625	0	65,625	0	65,625
2,166	0	49,472	0	49,472
0	0	32,632	0	32,632
354	0	290,517	0	290,517
0	0	0	50,981	50,981
0	0	33,453	0	33,453
0	0	5,633	0	5,633
0	0	1,986,740	0	1,986,740
0	0	143,977	0	143,977
0	0	122,803	0	122,803
0	117,669	117,669	1,230	118,899
0	52,331	52,331	308,770	361,101
<u>\$ 402,489</u>	<u>\$ 170,000</u>	<u>\$ 3,960,174</u>	<u>\$ 410,680</u>	<u>\$ 4,370,854</u>

CITY OF LAKE CITY, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP AND  
DISCRETELY PRESENTED COMPONENT UNIT

MARCH 31, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 9,633	\$ 3,419	\$ 0	\$ 15,485	\$ 1,713
Accrued Expenses	2,406	717	0	2,316	265
Due to Other Governments	0	0	0	0	0
Due to Other Funds	432	5,504	0	7,044	0
Due to Component Unit	0	1,230	0	0	0
Bonds Payable	0	0	0	0	0
Total Liabilities	\$ 12,471	\$ 10,870	\$ 0	\$ 24,845	\$ 1,978
<u>EQUITY AND OTHER CREDITS</u>					
Contributed Capital	\$ 0	\$ 0	\$ 0	\$ 1,877,061	\$ 20,000
Retained Earnings					
Unreserved					
Undesignated	\$ 0	\$ 0	\$ 0	\$ 0	\$ 244,916
Fund Balances					
Reserved	1,649	351	117,669	0	0
Unreserved					
Undesignated	410,009	242,139	0	423,727	0
Total Retained Earnings/ Fund Balance	\$ 411,658	\$ 242,490	\$ 117,669	\$ 423,727	\$ 244,916
Total Equity and Other Credits	\$ 411,658	\$ 242,490	\$ 117,669	\$ 2,300,788	\$ 264,916
<u>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</u>	\$ 424,129	\$ 253,360	\$ 117,669	\$ 2,325,633	\$ 266,894

The accompanying notes are an integral part of these financial statements.

EXHIBIT 1

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY
\$ 0	\$ 0	\$ 30,250	\$ 0	\$ 30,250
92	0	5,796	0	5,796
75,109	0	75,109	0	75,109
277,537	0	290,517	0	290,517
49,751	0	50,981	0	50,981
0	170,000	170,000	310,000	480,000
\$ 402,489	\$ 170,000	\$ 622,653	\$ 310,000	\$ 932,653
\$ 0	\$ 0	\$ 1,897,061	\$ 0	\$ 1,897,061
\$ 0	\$ 0	\$ 244,916	\$ 0	\$ 244,916
0	0	119,669	1,230	120,899
0	0	1,075,875	99,450	1,175,325
\$ 0	\$ 0	\$ 1,440,460	\$ 100,680	\$ 1,541,140
\$ 0	\$ 0	\$ 3,337,521	\$ 100,680	\$ 3,438,201
\$ 402,489	\$ 170,000	\$ 3,960,174	\$ 410,680	\$ 4,370,854

CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND  
DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	DEBT SERVICE
<u>REVENUES</u>			
Taxes	\$ 172,674	\$ 74,764	\$ 0
Licenses and Permits	1,196	0	0
State Grants	85,228	95,886	0
Charges for Services	44,130	25,100	0
Special Assessments	0	0	61,653
Interest and Rents	23,153	320	181
Other Revenues	13,426	1,071	0
Total Revenues	\$ 339,807	\$ 197,141	\$ 61,834
<u>EXPENDITURES</u>			
Legislative	\$ 15,487	\$ 0	\$ 0
General Government	120,259	32,461	0
Planning and Zoning	4,927	0	0
Public Safety	0	30,137	0
Public Works	14,748	107,759	0
Sanitation	73,023	0	0
Culture and Recreation	76,777	0	0
Economic Development	0	0	0
Debt Service			
Principal	0	0	55,000
Interest and Fiscal Charges	0	0	10,634
Total Expenditures	\$ 305,221	\$ 170,357	\$ 65,634
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,586	\$ 26,784	\$ (3,800)

EXHIBIT 2

TOTALS (MEMORANDUM ONLY)	COMPONENT UNIT DOWNTOWN	TOTALS (MEMORANDUM ONLY)
PRIMARY GOVERNMENT	DEVELOPMENT AUTHORITY	REPORTING ENTITY
\$ 247,438	\$ 43,155	\$ 290,593
1,196	0	1,196
181,114	0	181,114
69,230	0	69,230
61,653	0	61,653
23,654	402	24,056
14,497	2,678	17,175
<hr/>		
\$ 598,782	\$ 46,235	\$ 645,017
<hr/>		
\$ 15,487	\$ 0	\$ 15,487
152,720	0	152,720
4,927	0	4,927
30,137	0	30,137
122,507	0	122,507
73,023	0	73,023
76,777	0	76,777
0	5,982	5,982
55,000	25,000	80,000
10,634	18,139	28,773
<hr/>		
\$ 541,212	\$ 49,121	\$ 590,333
<hr/>		
\$ 57,570	\$ (2,886)	\$ 54,684
<hr/>		

CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND  
DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	DEBT SERVICE
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 20,854
Operating Transfers Out	0	(20,854)	0
Total Other Financing Sources (Uses)	\$ 0	\$ (20,854)	\$ 20,854
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ 34,586	\$ 5,930	\$ 17,054
<u>FUND BALANCE</u> - Beginning of Year	377,072	236,560	100,615
<u>FUND BALANCE</u> - End of Year	\$ 411,658	\$ 242,490	\$ 117,669

The accompanying notes are an integral part of these financial statements.

EXHIBIT 2

TOTALS (MEMORANDUM ONLY)	COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY
\$ 20,854 (20,854)	\$ 39,037 (39,037)	\$ 59,891 (59,891)
\$ 0	\$ 0	\$ 0
\$ 57,570	\$ (2,886)	\$ 54,684
714,247	103,566	817,813
\$ 771,817	\$ 100,680	\$ 872,497

CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUND TYPES

YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 166,081	\$ 172,674	\$ 6,593
Licenses and Permits	1,500	1,196	(304)
State Grants	75,000	85,228	10,228
Charges for Services	45,000	44,130	(870)
Interest and Rents	23,000	23,153	153
Other Revenue	7,000	13,426	6,426
Total Revenues	\$ 317,581	\$ 339,807	\$ 22,226
<u>EXPENDITURES</u>			
Legislative	\$ 19,500	\$ 15,487	\$ 4,013
General Government	120,740	120,259	481
Planning and Zoning	10,050	4,927	5,123
Public Safety	0	0	0
Public Works	15,000	14,748	252
Sanitation	71,520	73,023	(1,503)
Culture and Recreation	79,900	76,777	3,123
Total Expenditures	\$ 316,710	\$ 305,221	\$ 11,489
Excess (Deficiency) of Revenues Over Expenditures	\$ 871	\$ 34,586	\$ 33,715



EXHIBIT 3SPECIAL REVENUE FUND TYPES

		VARIANCE- FAVORABLE (UNFAVORABLE)	
BUDGET	ACTUAL		
\$ 71,683	\$ 74,764	\$ 3,081	
0	0	0	
71,000	95,886	24,886	
29,250	25,100	(4,150)	
1,700	320	(1,380)	
200	1,071	871	
<u>\$ 173,833</u>	<u>\$ 197,141</u>	<u>\$ 23,308</u>	
\$ 0	\$ 0	\$ 0	
30,000	32,461	(2,461)	
0	0	0	
29,100	30,137	(1,037)	
103,880	107,759	(3,879)	
0	0	0	
0	0	0	
<u>\$ 162,980</u>	<u>\$ 170,357</u>	<u>\$ (7,377)</u>	
\$ 10,853	\$ 26,784	\$ 15,931	

CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUND TYPES

YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ 871	\$ 34,586	\$ 33,715
<u>FUND BALANCE</u> - Beginning of Year	377,072	377,072	0
<u>FUND BALANCE</u> - End of Year	\$ 377,943	\$ 411,658	\$ 33,715

The accompanying notes are an integral part of these financial statements.

EXHIBIT 3

SPECIAL REVENUE FUND TYPES

		VARIANCE- FAVORABLE (UNFAVORABLE)	
BUDGET	ACTUAL		
\$ 0	\$ 0	\$ 0	
(11,000)	(20,854)	(9,854)	
\$ (11,000)	\$ (20,854)	\$ (9,854)	
\$ (147)	\$ 5,930	\$ 6,077	
236,560	236,560	0	
\$ 236,413	\$ 242,490	\$ 6,077	

CITY OF LAKE CITY, MICHIGANCOMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPESYEAR ENDED MARCH 31, 2004

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 237,912	\$ 75,600	\$ 313,512
Other Revenues	15,612	0	15,612
Total Operating Revenues	\$ 253,524	\$ 75,600	\$ 329,124
<u>OPERATING EXPENSES</u>			
Personal Services	\$ 96,680	\$ 5,046	\$ 101,726
Contractual Services	12,003	500	12,503
Supplies	7,849	5,798	13,647
Utilities	43,638	0	43,638
Rents	8,795	0	8,795
Repairs and Maintenance	54,856	6,226	61,082
Insurance	16,580	9,091	25,671
Laboratory Analysis	14,735	0	14,735
Other	1,348	0	1,348
Depreciation	67,838	23,674	91,512
Total Operating Expenses	\$ 324,322	\$ 50,335	\$ 374,657
Operating Income (Loss)	\$ (70,798)	\$ 25,265	\$ (45,533)

## CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES

YEAR ENDED MARCH 31, 2004

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Revenue	\$ 15,839	\$ 899	\$ 16,738
Interest Expense	(261)	0	(261)
Total Nonoperating Revenues (Expenses)	\$ 15,578	\$ 899	\$ 16,477
Net Income (Loss)	\$ (55,220)	\$ 26,164	\$ (29,056)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	59,259	0	59,259
Increase (Decrease) in Retained Earnings	\$ 4,039	\$ 26,164	\$ 30,203
<u>RETAINED EARNINGS</u> - Beginning of Year	419,688	218,752	638,440
<u>RETAINED EARNINGS</u> - End of Year	\$ 423,727	\$ 244,916	\$ 668,643

The accompanying notes are an integral part of these financial statements.

## CITY OF LAKE CITY, MICHIGAN

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES

YEAR ENDED MARCH 31, 2004

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ (70,798)	\$ 25,265	\$ (45,533)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	67,838	23,674	91,512
(Increase) Decrease in Current Assets			
Accounts Receivable	(9,156)	0	(9,156)
Inventory	(11,422)	0	(11,422)
Due from Other Funds	(7,604)	(59)	(7,663)
Prepaid Expenses	(178)	(165)	(343)
Increase (Decrease) in Current Liabilities			
Accounts Payable	3,757	1,138	4,895
Due to Other Funds	7,044	153	7,197
Accrued Expense	468	(1,250)	(782)
Net Cash Provided by Operating Activities	\$ (20,051)	\$ 48,756	\$ 28,705
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Revenue Bond Maturities	\$ (30,000)	\$ 0	\$ (30,000)
Interest Paid on Revenue Bonds	(1,141)	0	(1,141)
Collections of Special Assessments	41,974	0	41,974
Payment on Advance From General Fund	(7,200)	0	(7,200)
Acquisitions and Construction of Capital Assets	(57,267)	(26,674)	(83,941)
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (53,634)	\$ (26,674)	\$ (80,308)

CITY OF LAKE CITY, MICHIGAN  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED MARCH 31, 2004

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
Cash Flows from Investing Activities:			
Interest on Investments	\$ 1,471	\$ 899	\$ 2,370
Interest on Special Assessments	<u>14,368</u>	<u>0</u>	<u>14,368</u>
Net Cash Provided by Investing Activities	\$ <u>15,839</u>	\$ <u>899</u>	\$ <u>16,738</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (57,846)	\$ 22,981	\$ (34,865)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>322,581</u>	<u>116,615</u>	<u>439,196</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ <u><u>264,735</u></u>	\$ <u><u>139,596</u></u>	\$ <u><u>404,331</u></u>
<u>INTEREST PAID DURING THE YEAR</u>	\$ <u><u>1,141</u></u>	\$ <u><u>0</u></u>	\$ <u><u>1,141</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAKE CITY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lake City, Michigan, was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize it as a legally separate form of government. Each discretely presented component unit has a March 31 year end.

BLENDED COMPONENT UNITS

The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) - The DDA was established pursuant to the provisions of Act No. 197 of the Public Acts of Michigan 1975. The members of the governing board of the Downtown Development Authority are appointed by the City Council. The Authority's operational and capital budgets must be approved by the City Council.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:



CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

GOVERNMENTAL FUNDS are used to account for the City's general government activities. Governmental fund types use the flow of financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Sales and gasoline taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specified purposes.

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

PROPRIETARY FUNDS are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements issued through November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. The City does not currently have any trust funds.

The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

ACCOUNT GROUPS. The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary or trust funds. The City does not maintain this account group. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The City's investment policy conforms to state statutes.

The Investment policy of the City authorizes the following investments:

- (a) Passbook Savings
- (b) Negotiable Certificates of Deposit
- (c) Nonnegotiable Certificates of Deposit
- (d) Repurchase agreements backed by U.S. government or federal agency obligations.
- (e) All bonds, securities and obligations of the United States or any of its agencies or instrumentality's
- (f) Bankers acceptance of United States banks

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes attach as an enforceable lien on the property as of the date they are levied. City taxes are levied and due December 1, and become delinquent after February 14. City property tax revenues are recognized when they become both measurable and available for use to finance City operations.

3. Inventories and Prepaid Items

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of enterprise fund special assessment bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Fixed Assets and Long-Term Liabilities

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

Major outlays for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight-line method over the following estimated useful lives:

Buildings	30-50 Years
Improvements	20 Years
Equipment	3-20 Years

6. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

7. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

8. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

9. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 31, the City Superintendent submits to the City Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

CITY OF LAKE CITY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

5. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year.
7. Budget appropriations lapse at the end of the fiscal year for all funds.
8. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

The City's deposits are owned by several of the City's funds. At year-end, the carrying amount of the City's deposits was \$1,203,299 and the bank balance was \$1,206,780 of which \$797,256 was covered by federal depository insurance and \$409,524 was uninsured and uncollateralized.

At year-end, the carrying amount of the component unit's deposits was \$49,699 and the bank balance was \$49,699 which was covered by federal depository insurance. All deposits and investments are in Chemical Bank West.

B. Interfund Receivables and Payables

Such balances at March 31, 2004, were:

Interfund Receivables and Payables	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General	\$ 185,308	\$ 432
Major Street	7,026	0
Local Street	31,367	5,265
Fire	23,153	77
Law	9,646	64
Cemetery	14,604	98
Sewer	18,574	3,494
Water	426	3,550
Equipment	59	0
Tax Collection	0	276,182
Payroll Fund	354	1,355
	<u>\$ 290,517</u>	<u>\$ 290,517</u>

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Due To/From Primary Government and Component Units		
Primary Government		
Local Street	\$ 0	\$ 1,230
Tax Collection	0	49,751
Component Unit		
Downtown Development Authority	49,751	0
2000 Debt Retirement Fund	1,230	0
	<u>\$ 50,981</u>	<u>\$ 50,981</u>

**C. Changes in Long-Term Debt**

The following is a summary of debt transactions for the City of Lake City for the year ended March 31, 2004:

	TRANSPORTATION FUND BONDS	1989 DRAIN COMMISSION BONDS	1997 SANITARY DRAIN BONDS	TOTAL PRIMARY GOVERNMENT	COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY BONDS	TOTAL REPORTING ENTITY
Debt Payable at April 1, 2003	\$ 20,000	\$ 30,000	\$ 205,000	\$ 255,000	\$ 335,000	\$ 590,000
Debt Issued	0	0	0	0		
Debt Retired	(20,000)	(30,000)	(35,000)	(85,000)	(25,000)	(110,000)
 DEBT PAYABLE AT MARCH 31, 2004	 \$ 0	 \$ 0	 \$ 170,000	 \$ 170,000	 \$ 310,000	 \$ 480,000

Debt payable at March 31, 2004, is comprised of the following individual issues:

PRIMARY GOVERNMENT

BONDS PAYABLE

Special Assessment

\$350,000 Missaukee County Drain Commission Bonds due in annual installments of \$40,000 to \$45,000 through May 1, 2007; interest at 5.15% to 5.30% due May 1, and November 1, of each year, this debt is serviced by user fees

170,000

CITY OF LAKE CITY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

COMPONENT UNITS

BONDS PAYABLE

Downtown Development Authority

\$350,000 Lake City Downtown Development Authority Bonds, bonds due in annual installments of \$15,000 to \$35,000 through May 1, 2015; interest at 5.25% to 5.75% due May 1, and November 1, of each year; this debt is serviced from tax revenues of the Lake City Downtown Development Authority with secondary security of the full faith and credit of the City

310,000  
\$ 480,000

Annual requirements to amortize all debt outstanding as of March 31, 2004, including interest payments of \$137,088 are as follows:

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>SPECIAL</u> <u>ASSESSMENT</u> <u>BONDS</u>	<u>COMPONENT</u> <u>UNIT</u>	<u>TOTAL</u> <u>REPORTING</u> <u>ENTITY</u>
2005	\$ 47,858	\$ 31,838	\$ 79,696
2006	45,788	35,915	81,703
2007	48,567	34,851	83,418
2008	46,193	33,776	79,969
2009	0	37,554	37,554
2010-2015	0	254,748	254,748
	<u>\$ 188,406</u>	<u>\$ 428,682</u>	<u>\$ 617,088</u>

**D. Contributed Capital**

During the year, contributed capital increased (decreased) by the following amounts:

	<u>WATER</u> <u>FUND</u>	<u>SEWER</u> <u>FUND</u>
Customers - Tap Fees	\$ 0	\$ 0
Depreciation on Contributed Assets	(21,887)	(37,372)
	<u>\$ (21,887)</u>	<u>\$ (37,372)</u>
Contributed Capital - April 1, 2003	646,147	1,290,173
Contributed Capital - March 31, 2004	<u>\$ 624,260</u>	<u>\$ 1,252,801</u>



CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**E. Depreciation on Contributed Assets**

Most of the depreciable assets of the Enterprise Funds were purchased with funds which were contributed by the Federal and State governments and the City of Lake City. Because of this, the depreciation on these assets is treated as a reduction of contributed equity instead of charging it to retained earnings when net income is closed out each year. Depreciation on these assets was \$59,259 for the year ended March 31, 2004.

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the City has reserved fund balance in various funds. These reserves are detailed in the following schedule:

Fund Balance

Reserved			
General Fund			
Advances	\$	0	
Prepaid Expenditures		1,649	\$ 1,649
Special Revenue Funds			
Major Street			
Prepaid Expenditures	\$	60	
Local Street			
Prepaid Expenditures		65	
Law Fund			
Prepaid Expenditures		20	
Cemetery Fund			
Prepaid Expenditures		206	351
Debt Service Funds			
1997 Sanitary Drain Debt Retirement Fund			
Reserved for Debt Service	\$	117,668	
Transportation Debt Retirement Fund			
Reserved for Debt Service		1	117,669
			\$ 119,669
Component Units			
Downtown Development Authority 2000 Debt Fund			
Reserved for Debt Service			1,230
TOTAL FUND BALANCE RESERVES			\$ 120,899

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

IV. OTHER INFORMATION

**A. Segment Information for Enterprise Funds**

The City maintains two Enterprise Funds which provide water and sanitary sewer services. Each fund represents one segment. Segment information for the year ended March 31, 2004, is as follows:

	<u>WATER FUND</u>	<u>SEWER FUND</u>
Operating Revenues	\$ 112,697	\$ 140,827
Depreciation	23,028	44,810
Operating Income (Loss)	(42,553)	(28,245)
Nonoperating Revenues (Expenses)	1,029	14,549
Net Income (Loss)	(41,524)	(13,696)
Total Identifiable Assets	805,783	1,519,850
Property and Equipment Additions	(3,070)	(54,197)
Working Capital	177,178	262,968
Long-Term Debt	0	0
Total Equity	797,524	1,503,264

**B. Retirement Benefits**

The City funds retirement benefits by making direct contributions to a SEP plan (Simplified Employee Pension). These accounts are the property of the employees and, therefore, are not treated as part of the City's reporting entity.

**C. Due From Other Governments**

Amounts due from other governments include \$33,453 in state-shared revenues.

**D. Interest Income and Expense**

Interest Income - Primary Government	\$ 5,450
- Component Units	<u>402</u>
Interest Income - Reporting Entity (For the Year Ended March 31, 2004)	<u><u>\$ 5,852</u></u>
Interest Expense - Primary Government	\$ 10,895
- Component Units	<u>18,139</u>
Interest Expense - Reporting Entity (For the Year Ended March 31, 2004)	<u><u>\$ 29,034</u></u>

CITY OF LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

**E. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City carries commercial insurance for casualty, workers' disability compensation, employee health and accident insurance.

**F. Special Assessment Bonds**

In the event that property owners default on the special assessments levied to pay these bonds, the City is obligated to make payments from its own funds.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

May 21, 2004

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Mayor and City Council  
City of Lake City, Michigan

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Lake City. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop PC

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CITY OF LAKE CITY, MICHIGANGENERAL FUND  
COMPARATIVE BALANCE SHEETMARCH 31,ASSETS

	2004	2003
Cash	\$ 223,400	\$ 204,222
Accounts Receivable	3,790	2,701
Due from Other Funds	185,308	171,996
Due from Other Governments	9,982	12,347
Prepaid Expenditures	1,649	1,361
Advance to Sewer Fund	0	7,200
<b>TOTAL ASSETS</b>	<b>\$ 424,129</b>	<b>\$ 399,827</b>

LIABILITIES AND FUND BALANCELIABILITIES

Accounts Payable	\$ 9,633	\$ 11,582
Accrued Expenses	2,406	1,799
Due to Other Funds	432	9,374
<b>Total Liabilities</b>	<b>\$ 12,471</b>	<b>\$ 22,755</b>

FUND BALANCE

Reserved for:		
Advances	\$ 0	\$ 7,200
Prepaid Expenditures	1,649	1,361
Unreserved	410,009	368,511
<b>Total Fund Balance</b>	<b>\$ 411,658</b>	<b>\$ 377,072</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 424,129</b>	<b>\$ 399,827</b>

## CITY OF LAKE CITY, MICHIGAN

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 166,081	\$ 172,674	\$ 166,658
Licenses and Permits	1,500	1,196	1,459
State Grants	75,000	85,228	91,049
Charges for Services	45,000	44,130	37,443
Interest and Rents	23,000	23,153	23,092
Other Revenues	7,000	13,426	8,997
Total Revenues	\$ 317,581	\$ 339,807	\$ 328,698
<u>EXPENDITURES</u>			
Legislative	\$ 19,500	\$ 15,487	\$ 11,386
General Government			
Elections	3,100	994	3,500
Independent Accounting and Audit	5,600	6,350	6,100
Assessor	13,700	13,853	13,202
Clerk	22,240	25,631	21,826
Treasurer	18,300	21,132	24,767
Buildings and Grounds	50,000	46,487	43,969
Other Functions	7,800	5,812	9,187
Planning and Zoning	10,050	4,927	7,478
Public Works	15,000	14,748	14,911
Sanitation	71,520	73,023	69,986
Culture and Recreation	79,900	76,777	94,861
Total Expenditures	\$ 316,710	\$ 305,221	\$ 321,173
Excess (Deficiency) of Revenues Over Expenditures	\$ 871	\$ 34,586	\$ 7,525
<u>FUND BALANCE</u> - Beginning of Year	377,072	377,072	369,547
<u>FUND BALANCE</u> - End of Year	\$ 377,943	\$ 411,658	\$ 377,072

## CITY OF LAKE CITY, MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES - BUDGET AND ACTUALYEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current Property Tax Levy	\$ 156,681	\$ 162,602	\$ 155,606
Property Tax Administration Fee	9,400	9,370	9,096
Delinquent Taxes	0	702	1,956
Total Taxes	\$ 166,081	\$ 172,674	\$ 166,658
<u>LICENSES AND PERMITS</u>			
Building and Zoning Permits	\$ 1,500	\$ 1,196	\$ 1,459
<u>STATE GRANTS</u>			
State Revenue Sharing Payments	\$ 75,000	\$ 85,228	\$ 91,049
<u>CHARGES FOR SERVICES</u>			
Refuse Collection	\$ 45,000	\$ 44,130	\$ 37,443
<u>INTEREST AND RENTS</u>			
Interest	\$ 5,000	\$ 2,213	\$ 3,199
Maple Grove Rent	18,000	20,940	19,893
Total Interest and Rents	\$ 23,000	\$ 23,153	\$ 23,092
<u>OTHER REVENUE</u>			
Refunds and Miscellaneous	\$ 1,000	\$ 4,944	\$ 1,824
Franchise Fees	6,000	8,482	7,173
Total Other Revenue	\$ 7,000	\$ 13,426	\$ 8,997
TOTAL REVENUES	\$ 317,581	\$ 339,807	\$ 328,698



## CITY OF LAKE CITY, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>LEGISLATIVE</u>			
Mayor and City Council			
Personal Services	\$ 18,000	\$ 14,258	\$ 10,723
Insurance	150	0	0
Continuing Education	600	0	0
Supplies	0	14	0
Dues	750	0	0
Miscellaneous	0	1,215	663
	<u>\$ 19,500</u>	<u>\$ 15,487</u>	<u>\$ 11,386</u>
<u>GENERAL GOVERNMENT</u>			
Elections			
Personal Services	\$ 1,200	\$ 826	\$ 1,782
Supplies	1,500	84	1,289
Legal Fees	300	0	298
Miscellaneous	100	84	131
	<u>\$ 3,100</u>	<u>\$ 994</u>	<u>\$ 3,500</u>
Independent Audit			
Audit Fees	\$ 5,600	\$ 6,350	\$ 6,100
Assessor			
Supplies	\$ 500	\$ 0	\$ 358
Contracted Services	13,000	13,853	12,844
Legal Ads and Notices	200	0	0
	<u>\$ 13,700</u>	<u>\$ 13,853</u>	<u>\$ 13,202</u>
Clerk			
Personal Services	\$ 13,500	\$ 14,130	\$ 13,430
Supplies	2,500	2,508	2,208
Contracted Services	2,500	2,740	3,198
Insurance	600	0	0
Legal Advertisements	2,000	2,844	2,764
Dues	40	137	0
Continued Education	1,000	0	105
Repairs and Maintenance	100	221	60
Miscellaneous	0	141	61
Capital Outlay	0	2,910	0
	<u>\$ 22,240</u>	<u>\$ 25,631</u>	<u>\$ 21,826</u>

CITY OF LAKE CITY, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUALYEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Treasurer			
Personal Services	\$ 13,500	\$ 13,978	\$ 13,430
Insurance	600	47	341
Supplies	1,200	3,606	1,967
Contracted Services	2,500	3,266	4,045
Utilities	0	0	28
Miscellaneous	0	98	4,956
Dues	0	137	0
Continued Education	500	0	0
	<u>\$ 18,300</u>	<u>\$ 21,132</u>	<u>\$ 24,767</u>
Buildings and Grounds			
Personal Services	\$ 18,000	\$ 17,615	\$ 15,662
Health and Life Insurance	3,400	3,418	3,710
Insurance	5,000	3,564	3,305
Supplies	3,500	3,053	1,154
Utilities	5,000	4,424	4,255
Telephone	2,500	2,691	2,305
Contracted Services	3,000	1,720	3,420
Dues	0	92	0
Repairs and Maintenance	3,000	3,423	1,050
Equipment Rental	3,500	4,487	7,108
Retirement	2,000	2,000	2,000
Capital Outlay	1,100	0	0
	<u>\$ 50,000</u>	<u>\$ 46,487</u>	<u>\$ 43,969</u>
Other Functions			
Personal Services	\$ 0	\$ 0	\$ 417
Supplies	1,000	0	1,030
Legal Advertisements	1,400	0	182
Contracted Services	3,500	4,948	5,290
Telephone	0	0	25
Dues	900	425	833
Miscellaneous	1,000	439	1,410
	<u>\$ 7,800</u>	<u>\$ 5,812</u>	<u>\$ 9,187</u>

CITY OF LAKE CITY, MICHIGANGENERAL FUNDANALYSIS OF EXPENDITURES - BUDGET AND ACTUALYEAR ENDED MARCH 31, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PLANNING AND ZONING</u>			
Personal Services	\$ 9,000	\$ 4,224	\$ 7,039
Supplies	600	66	434
Legal Advertisements	250	427	0
Dues and Miscellaneous	200	210	5
	<u>\$ 10,050</u>	<u>\$ 4,927</u>	<u>\$ 7,478</u>
<u>PUBLIC WORKS</u>			
Street Lighting	\$ 15,000	\$ 14,748	\$ 14,911
<u>SANITATION</u>			
Personal Services	\$ 16,100	\$ 13,890	\$ 11,996
Health and Life Insurance	1,600	1,782	1,450
Contracted Services	45,000	46,783	49,462
Supplies	1,200	516	1,190
Equipment Rental	6,000	9,083	4,985
Utilities	0	0	25
Repairs and Maintenance	0	448	697
Insurance	1,620	116	102
Miscellaneous	0	405	79
	<u>\$ 71,520</u>	<u>\$ 73,023</u>	<u>\$ 69,986</u>
<u>CULTURE AND RECREATION</u>			
Personal Services	\$ 24,000	\$ 30,180	\$ 25,031
Health and Life Insurance	5,900	6,109	4,988
Legal Advertisements	100	0	50
Retirement	2,000	2,000	2,000
Uniforms	400	241	359
Insurance	1,600	387	341
Supplies	2,500	3,641	2,731
Contracted Services	4,100	3,086	4,281
Utilities	6,000	6,551	6,682
Telephone	650	922	716

CITY OF LAKE CITY, MICHIGANGENERAL FUNDANALYSIS OF EXPENDITURES - BUDGET AND ACTUALYEAR ENDED MARCH 31, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Repairs and Maintenance	2,500	7,455	7,818
Equipment Rentals	9,000	12,277	8,051
Capital Outlay	20,000	3,186	31,513
Dues and Miscellaneous	1,150	742	300
	<u>\$ 79,900</u>	<u>\$ 76,777</u>	<u>\$ 94,861</u>
 TOTAL EXPENDITURES	 <u>\$ 316,710</u>	 <u>\$ 305,221</u>	 <u>\$ 321,173</u>

SPECIAL REVENUE FUNDS

Major and Local Street Funds - To account for the operations of the street department. Primary financing is provided by the City's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

Fire Fund - To account for earmarked revenue set aside for the purpose of providing fire protection services.

Law Fund - To account for earmarked revenue set aside for law enforcement.

Cemetery Fund - To account for earmarked revenue set aside for the purpose of providing cemetery services for City residents.

CITY OF LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	MAJOR STREET	LOCAL STREET
<u>ASSETS</u>		
Cash	\$ 30,987	\$ 30,958
Accounts Receivable	2,416	11,280
Due from Other Funds	7,026	31,367
Due from Other Governments	18,129	5,342
Prepaid Expenditures	60	65
TOTAL ASSETS	<u>\$ 58,618</u>	<u>\$ 79,012</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,114	\$ 1,005
Accrued Expenses	236	366
Due to Other Funds	0	5,265
Due to Component Unit	0	1,230
Total Liabilities	<u>\$ 1,350</u>	<u>\$ 7,866</u>
<u>FUND BALANCE</u>		
Reserved	\$ 60	\$ 65
Unreserved	57,208	71,081
Total Fund Balance	<u>\$ 57,268</u>	<u>\$ 71,146</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 58,618</u>	<u>\$ 79,012</u>

## STATEMENT B-1

FIRE	LAW	CEMETERY	TOTALS	
			2004	2003
\$ 21,523	\$ 35,302	\$ 9,926	\$ 128,696	\$ 132,947
1,350	0	0	15,046	11,648
23,153	9,646	14,604	85,796	75,574
0	0	0	23,471	17,212
0	20	206	351	4,965
<u>\$ 46,026</u>	<u>\$ 44,968</u>	<u>\$ 24,736</u>	<u>\$ 253,360</u>	<u>\$ 242,346</u>
\$ 450	\$ 644	\$ 206	\$ 3,419	\$ 2,983
0	0	115	717	329
77	64	98	5,504	1,244
0	0	0	1,230	1,230
<u>\$ 527</u>	<u>\$ 708</u>	<u>\$ 419</u>	<u>\$ 10,870</u>	<u>\$ 5,786</u>
\$ 0	\$ 20	\$ 206	\$ 351	\$ 4,965
45,499	44,240	24,111	242,139	231,595
<u>\$ 45,499</u>	<u>\$ 44,260</u>	<u>\$ 24,317</u>	<u>\$ 242,490</u>	<u>\$ 236,560</u>
<u>\$ 46,026</u>	<u>\$ 44,968</u>	<u>\$ 24,736</u>	<u>\$ 253,360</u>	<u>\$ 242,346</u>

CITY OF LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	MAJOR STREET	LOCAL STREET
<u>REVENUES</u>		
Taxes	\$ 0	\$ 28,091
State Grants	65,364	28,259
Charges for Services	0	11,280
Interest	70	70
Other	0	285
Total Revenues	\$ 65,434	\$ 67,985
<u>EXPENDITURES</u>		
General Government	\$ 0	\$ 0
Public Safety	0	0
Public Works	40,412	67,347
Total Expenditures	\$ 40,412	\$ 67,347
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,022	\$ 638
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers Out	(20,854)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ 4,168	\$ 638
<u>FUND BALANCE</u> - Beginning of Year	53,100	70,508
<u>FUND BALANCE</u> - End of Year	\$ 57,268	\$ 71,146



STATEMENT B-2

			<u>TOTALS</u>	
<u>FIRE</u>	<u>LAW</u>	<u>CEMETERY</u>	<u>2004</u>	<u>2003</u>
\$ 22,844	\$ 9,548	\$ 14,281	\$ 74,764	\$ 72,693
0	2,263	0	95,886	80,190
0	0	13,820	25,100	25,167
72	79	29	320	1,339
232	409	145	1,071	600
<u>\$ 23,148</u>	<u>\$ 12,299</u>	<u>\$ 28,275</u>	<u>\$ 197,141</u>	<u>\$ 179,989</u>
\$ 0	\$ 0	\$ 32,461	\$ 32,461	\$ 36,421
19,285	10,852	0	30,137	53,726
0	0	0	107,759	154,015
<u>\$ 19,285</u>	<u>\$ 10,852</u>	<u>\$ 32,461</u>	<u>\$ 170,357</u>	<u>\$ 244,162</u>
\$ 3,863	\$ 1,447	\$ (4,186)	\$ 26,784	\$ (64,173)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,854)</u>	<u>(11,380)</u>
\$ 3,863	\$ 1,447	\$ (4,186)	\$ 5,930	\$ (75,553)
<u>41,636</u>	<u>42,813</u>	<u>28,503</u>	<u>236,560</u>	<u>312,113</u>
<u>\$ 45,499</u>	<u>\$ 44,260</u>	<u>\$ 24,317</u>	<u>\$ 242,490</u>	<u>\$ 236,560</u>

CITY OF LAKE CITY, MICHIGANMAJOR STREET FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 30,987	\$ 34,899
Accounts Receivable	2,416	7,012
Due from Other Funds	7,026	953
Due from Other Governments	18,129	12,438
Prepaid Expenditures	60	34
	<hr/>	<hr/>
TOTAL ASSETS	\$ 58,618	\$ 55,336
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,114	\$ 919
Accrued Expenses	236	73
Due to Other Funds	0	1,244
	<hr/>	<hr/>
Total Liabilities	\$ 1,350	\$ 2,236
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 60	\$ 34
Unreserved	57,208	53,066
	<hr/>	<hr/>
Total Fund Balance	\$ 57,268	\$ 53,100
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 58,618	\$ 55,336
	<hr/>	<hr/>

CITY OF LAKE CITY, MICHIGANMAJOR STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALYEAR ENDED MARCH 31, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants	\$ 45,000	\$ 65,364	\$ 52,416
Charges for Services	5,000	0	0
Interest	500	70	373
Other	200	0	600
Total Revenues	\$ 50,700	\$ 65,434	\$ 53,389
<u>EXPENDITURES</u>			
Public Works			
Personal Services	\$ 10,000	\$ 8,648	\$ 6,376
Health and Life Insurance	1,300	1,178	966
Contracted Services	3,500	1,243	3,794
Audit	500	500	525
Repairs and Maintenance	11,000	6,366	10,921
Equipment Rental	10,000	21,876	14,698
Insurance	1,000	229	280
Miscellaneous	0	143	79
Supplies	2,000	229	1,919
Trees	2,000	0	0
Total Expenditures	\$ 41,300	\$ 40,412	\$ 39,558
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,400	\$ 25,022	\$ 13,831

CITY OF LAKE CITY, MICHIGAN

MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)			
Transportation Debt Retirement	<u>(11,000)</u>	<u>(20,854)</u>	<u>(11,380)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ (1,600)	\$ 4,168	\$ 2,451
<u>FUND BALANCE</u> - Beginning of Year	<u>53,100</u>	<u>53,100</u>	<u>50,649</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 51,500</u>	<u>\$ 57,268</u>	<u>\$ 53,100</u>

CITY OF LAKE CITY, MICHIGAN  
LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 30,958	\$ 25,781
Accounts Receivable	11,280	3,836
Due from Other Funds	31,367	37,807
Due from Other Governments	5,342	4,774
Prepaid Expenditures	65	58
 TOTAL ASSETS	 \$ 79,012	 \$ 72,256
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,005	\$ 466
Accrued Expenses	366	52
Due to Other Funds	5,265	0
Due to Component Unit	1,230	1,230
 Total Liabilities	 \$ 7,866	 \$ 1,748
 <u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 65	\$ 58
Unreserved	71,081	70,450
 Total Fund Balance	 \$ 71,146	 \$ 70,508
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 79,012	 \$ 72,256

## CITY OF LAKE CITY, MICHIGAN

## LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 26,995	\$ 28,091	\$ 36,356
State Grants	25,000	28,259	25,895
Charges for Services	9,250	11,280	6,472
Interest	500	70	370
Other	0	285	0
Total Revenues	\$ 61,745	\$ 67,985	\$ 69,093
<u>EXPENDITURES</u>			
Public Works			
Personal Services	\$ 7,000	\$ 7,327	\$ 7,000
Health and Life Insurance	1,500	1,518	1,240
Audit	500	500	525
Contracted Services	3,000	672	3,800
Repairs and Maintenance	5,000	4,626	32,056
Street Construction	10,880	23,288	38,484
Sidewalks	18,500	11,280	14,644
Equipment Rental	10,000	16,181	14,841
Insurance	1,200	273	372
Supplies	3,000	1,542	1,495
Miscellaneous	0	140	0
Trees	2,000	0	0
Total Expenditures	\$ 62,580	\$ 67,347	\$ 114,457
Excess (Deficiency) of Revenues Over Expenditures	\$ (835)	\$ 638	\$ (45,364)
<u>FUND BALANCE</u> - Beginning of Year	70,508	70,508	115,872
<u>FUND BALANCE</u> - End of Year	\$ 69,673	\$ 71,146	\$ 70,508

CITY OF LAKE CITY, MICHIGANFIRE FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 21,523	\$ 14,114
Accounts Receivable		1,350	450
Due from Other Funds		23,153	22,398
Prepaid Expenditures		0	4,674
TOTAL ASSETS		<u>\$ 46,026</u>	<u>\$ 41,636</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Accounts Payable		\$ 450	\$ 0
Due to Other Funds		77	0
Total Liabilities		<u>\$ 527</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>			
Reserved for Prepaid Expenditures		\$ 0	\$ 4,674
Unreserved		45,499	36,962
Total Fund Balance		<u>\$ 45,499</u>	<u>\$ 41,636</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 46,026</u>	<u>\$ 41,636</u>

## CITY OF LAKE CITY, MICHIGAN

## FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 21,888	\$ 22,844	\$ 21,948
Interest	300	72	287
Other	0	232	0
Total Revenues	\$ 22,188	\$ 23,148	\$ 22,235
<u>EXPENDITURES</u>			
Public Safety			
Contracted Services	\$ 0	\$ 750	\$ 0
Hydrant Rental	8,400	8,400	8,400
Audit	450	450	450
Miscellaneous	0	0	899
Aid to Other Governments	10,000	9,685	9,348
Total Expenditures	\$ 18,850	\$ 19,285	\$ 19,097
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,338	\$ 3,863	\$ 3,138
<u>FUND BALANCE - Beginning of Year</u>	41,636	41,636	38,498
<u>FUND BALANCE - End of Year</u>	\$ 44,974	\$ 45,499	\$ 41,636



CITY OF LAKE CITY, MICHIGANLAW FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 35,302	\$ 43,615
Due from Other Funds		9,646	612
Prepaid Expenditures		20	0
<b>TOTAL ASSETS</b>		<b>\$ 44,968</b>	<b>\$ 44,227</b>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Accounts Payable		\$ 644	\$ 1,383
Accrued Expenses		0	31
Due to Other Funds		64	0
<b>Total Liabilities</b>		<b>\$ 708</b>	<b>\$ 1,414</b>
<u>FUND BALANCE</u>			
Reserved for Prepaid Expenditures		\$ 20	\$ 0
Unreserved		44,240	42,813
<b>Total Fund Balance</b>		<b>\$ 44,260</b>	<b>\$ 42,813</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b>\$ 44,968</b>	<b>\$ 44,227</b>

## CITY OF LAKE CITY, MICHIGAN

## LAW FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 9,120	\$ 9,548	\$ 600
State Grants	1,000	2,263	1,879
Interest	200	79	191
Other	0	409	0
Total Revenues	\$ 10,320	\$ 12,299	\$ 2,670
<u>EXPENDITURES</u>			
Public Safety			
Personal Services	\$ 1,000	\$ 886	\$ 1,078
Legal Advertisements	0	1,181	0
Health and Life Insurance	350	306	255
Contracted Services	7,000	7,137	9,946
Supplies	500	183	416
Audit	500	500	450
Equipment Rentals	500	366	255
Insurance	400	65	72
Capital Outlay	0	0	22,157
Miscellaneous	0	228	0
Total Expenditures	\$ 10,250	\$ 10,852	\$ 34,629
Excess (Deficiency) of Revenues Over Expenditures	\$ 70	\$ 1,447	\$ (31,959)
<u>FUND BALANCE</u> - Beginning of Year	42,813	42,813	74,772
<u>FUND BALANCE</u> - End of Year	\$ 42,883	\$ 44,260	\$ 42,813

CITY OF LAKE CITY, MICHIGANCEMETERY FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	2004	2003
<u>ASSETS</u>		
Cash	\$ 9,926	\$ 14,538
Accounts Receivable	0	350
Due from Other Funds	14,604	13,804
Prepaid Expenditures	206	199
<b>TOTAL ASSETS</b>	<b>\$ 24,736</b>	<b>\$ 28,891</b>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 206	\$ 215
Accrued Expenses	115	173
Due to Other Funds	98	0
<b>Total Liabilities</b>	<b>\$ 419</b>	<b>\$ 388</b>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 206	\$ 199
Unreserved	24,111	28,304
<b>Total Fund Balance</b>	<b>\$ 24,317</b>	<b>\$ 28,503</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 24,736</b>	<b>\$ 28,891</b>

## CITY OF LAKE CITY, MICHIGAN

## CEMETERY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED MARCH 31, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 13,680	\$ 14,281	\$ 13,789
Charges for Services	15,000	13,820	18,695
Interest	200	29	118
Other	0	145	0
Total Revenues	\$ 28,880	\$ 28,275	\$ 32,602
<u>EXPENDITURES</u>			
General Government			
Personal Services	\$ 13,500	\$ 15,837	\$ 13,084
Health and Life Insurance	7,800	8,272	6,758
Uniforms	200	200	150
Supplies	500	738	674
Contracted Services	3,000	915	4,250
Audit	500	500	450
Utilities	200	244	176
Repairs and Maintenance	800	886	570
Equipment Rentals	1,500	2,534	1,849
General Insurance	1,400	1,218	1,256
Dues	0	42	244
Capital Outlay	600	1,075	6,960
Total Expenditures	\$ 30,000	\$ 32,461	\$ 36,421
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,120)	\$ (4,186)	\$ (3,819)
<u>FUND BALANCE</u> - Beginning of Year	28,503	28,503	32,322
<u>FUND BALANCE</u> - End of Year	\$ 27,383	\$ 24,317	\$ 28,503

DEBT SERVICE FUNDS

Transportation Debt Retirement Fund - This fund is used to account for the accumulation of resources for, and the payment of the 1995 Michigan Transportation Fund Bonds principal, interest and related costs.

1997 Sanitary Drain Debt Retirement Fund - This fund is used to account for the accumulation of resources for, and the payment of the 1997 Sanitary Drain Fund Bonds principal, interest and related costs.

## CITY OF LAKE CITY, MICHIGAN

DEBT SERVICE FUNDS  
COMBINING BALANCE SHEETMARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	1997		TOTALS	
	TRANSPORTATION DEBT RETIREMENT FUND	SANITARY DRAIN DEBT RETIREMENT FUND	2004	2003
<u>ASSETS</u>				
Cash	\$ 1	\$ 112,527	\$ 112,528	\$ 102,124
Accounts Receivable	0	5,141	5,141	3,658
Due from Other Funds	0	0	0	169
TOTAL ASSETS	\$ 1	\$ 117,668	\$ 117,669	\$ 105,951
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Governments	\$ 0	\$ 0	\$ 0	\$ 5,336
<u>FUND BALANCE</u>				
Reserved for Debt Service	1	117,668	117,669	100,615
TOTAL LIABILITIES AND FUND BALANCE	\$ 1	\$ 117,668	\$ 117,669	\$ 105,951

## CITY OF LAKE CITY, MICHIGAN

## DEBT SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	1997		TOTALS	
	TRANSPORTATION DEBT RETIREMENT FUND	SANITARY DRAIN DEBT RETIREMENT FUND	2004	2003
<u>REVENUES</u>				
Special Assessments	\$ 0	\$ 61,653	\$ 61,653	\$ 60,030
Interest	0	181	181	258
Total Revenues	\$ 0	\$ 61,834	\$ 61,834	\$ 60,288
<u>EXPENDITURES</u>				
Debt Service				
Principal Retirement	\$ 20,000	\$ 35,000	\$ 55,000	\$ 45,000
Interest and Fiscal Charges	854	9,780	10,634	12,936
Miscellaneous	0	0	0	45
Total Expenditures	\$ 20,854	\$ 44,780	\$ 65,634	\$ 57,981
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,854)	\$ 17,054	\$ (3,800)	\$ 2,307
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In - Major Street	20,854	0	20,854	11,380
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 0	\$ 17,054	\$ 17,054	\$ 13,687
<u>FUND BALANCE</u> - Beginning of Year	1	100,614	100,615	86,928
<u>FUND BALANCE</u> - End of Year	\$ 1	\$ 117,668	\$ 117,669	\$ 100,615

CITY OF LAKE CITY, MICHIGAN  
TRANSPORTATION DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 1	\$ 1
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for Debt Service		1	1
TOTAL LIABILITIES AND FUND BALANCE		\$ 1	\$ 1



## CITY OF LAKE CITY, MICHIGAN

## TRANSPORTATION DEBT RETIREMENT FUND

## COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	2004	2003
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Debt Service		
Principal Retirement	\$ 20,000	\$ 10,000
Interest and Fiscal Charges	854	1,380
Total Expenditures	\$ 20,854	\$ 11,380
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,854)	\$ (11,380)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In - Major Street	20,854	11,380
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	1	1
<u>FUND BALANCE</u> - End of Year	\$ 1	\$ 1

CITY OF LAKE CITY, MICHIGAN  
1997 SANITARY DRAIN DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

MARCH 31,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash		\$ 112,527	\$ 102,123
Accounts Receivable		5,141	3,658
Due From Other Funds		0	169
TOTAL ASSETS		<u>\$ 117,668</u>	<u>\$ 105,950</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Due to Other Governments		\$ 0	\$ 5,336
<u>FUND BALANCE</u>			
Reserved for Debt Service		117,668	100,614
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 117,668</u>	<u>\$ 105,950</u>

CITY OF LAKE CITY, MICHIGAN1997 SANITARY DRAIN DEBT RETIREMENT FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEYEAR ENDED MARCH 31,

	2004	2003
<u>REVENUES</u>		
Assessments to Users	\$ 61,653	\$ 60,030
Interest	181	258
Total Revenues	\$ 61,834	\$ 60,288
<u>EXPENDITURES</u>		
Debt Service		
Principal Retirement	\$ 35,000	\$ 35,000
Interest and Fiscal Charges	9,780	11,556
Miscellaneous	0	45
Total Expenditures	\$ 44,780	\$ 46,601
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,054	\$ 13,687
<u>FUND BALANCE</u> - Beginning of Year	100,614	86,927
<u>FUND BALANCE</u> - End of Year	\$ 117,668	\$ 100,614

## ENTERPRISE FUNDS

Water and Sewer Operating and Maintenance Funds - To account for the provision of water and sewer services to the residents of the City and certain adjacent areas. All activities related to such services are accounted for in the water and sewer system funds which are generally self-supporting. Primary financing is provided through user-charges.

## CITY OF LAKE CITY, MICHIGAN

ENTERPRISE FUNDS  
COMBINING BALANCE SHEETMARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

<u>ASSETS</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
			<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>				
Cash	\$ 55,428	\$ 65,330	\$ 120,758	\$ 158,621
Accounts Receivable	8,513	14,816	23,329	14,173
Inventory	32,632	0	32,632	21,210
Due from Other Funds	426	18,574	19,000	11,396
Prepaid Expense	1,184	1,308	2,492	2,314
Total Current Assets	\$ 98,183	\$ 100,028	\$ 198,211	\$ 207,714
<u>RESTRICTED ASSETS</u>				
Cash	\$ 74,807	\$ 69,170	\$ 143,977	\$ 163,960
Special Assessments Receivable	12,447	110,356	122,803	164,777
Total Restricted Assets	\$ 87,254	\$ 179,526	\$ 266,780	\$ 328,737
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Fixed Assets	\$ 1,089,049	\$ 1,952,399	\$ 3,041,448	\$ 2,984,181
Less Accumulated Depreciation	(468,703)	(712,103)	(1,180,806)	(1,112,968)
Net Property, Plant and Equipment	\$ 620,346	\$ 1,240,296	\$ 1,860,642	\$ 1,871,213
TOTAL ASSETS	\$ 805,783	\$ 1,519,850	\$ 2,325,633	\$ 2,407,664

## CITY OF LAKE CITY, MICHIGAN

ENTERPRISE FUNDS  
COMBINING BALANCE SHEETMARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

<u>LIABILITIES AND FUND EQUITY</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
			<u>2004</u>	<u>2003</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,826	\$ 11,659	\$ 15,485	\$ 11,728
Accrued Expenses	883	1,433	2,316	2,728
Advance from General Fund	0	0	0	7,200
Due to Other Funds	3,550	3,494	7,044	0
Current Portion of Bonds Payable	0	0	0	30,000
Total Liabilities	\$ 8,259	\$ 16,586	\$ 24,845	\$ 51,656
<u>FUND EQUITY</u>				
Contributed Equity	\$ 624,260	\$ 1,252,801	\$ 1,877,061	\$ 1,936,320
Retained Earnings				
Unreserved	173,264	250,463	423,727	419,688
Total Fund Equity	\$ 797,524	\$ 1,503,264	\$ 2,300,788	\$ 2,356,008
TOTAL LIABILITIES AND FUND EQUITY	\$ 805,783	\$ 1,519,850	\$ 2,325,633	\$ 2,407,664

## CITY OF LAKE CITY, MICHIGAN

## ENTERPRISE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

			TOTALS	
	WATER	SEWER	2004	2003
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 97,085	\$ 140,827	\$ 237,912	\$ 223,708
Rentals	8,400	0	8,400	5,900
Other Revenue	7,212	0	7,212	7,212
Total Operating Revenues	\$ 112,697	\$ 140,827	\$ 253,524	\$ 236,820
<u>OPERATING EXPENSES</u>				
Personal Services	\$ 39,651	\$ 57,029	\$ 96,680	\$ 91,581
Contractual Services	5,345	6,658	12,003	9,068
Supplies	4,987	2,862	7,849	10,114
Utilities	23,293	20,345	43,638	39,677
Rents	7,583	1,212	8,795	9,931
Repairs and Maintenance	33,391	21,465	54,856	53,112
Insurance	7,538	9,042	16,580	15,179
Laboratory Analysis	9,730	5,005	14,735	13,766
Other	704	644	1,348	16,684
Depreciation	23,028	44,810	67,838	63,389
Total Operating Expenses	\$ 155,250	\$ 169,072	\$ 324,322	\$ 322,501
Operating Income (Loss)	\$ (42,553)	\$ (28,245)	\$ (70,798)	\$ (85,681)

CITY OF LAKE CITY, MICHIGANENTERPRISE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31, 2004WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

			<u>TOTALS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>2004</u>	<u>2003</u>
<u>NONOPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Interest Revenue	\$ 1,029	\$ 14,810	\$ 15,839	\$ 14,794
Interest Expense	0	(261)	(261)	(9,630)
Total Nonoperating Revenues (Expenses)	\$ 1,029	\$ 14,549	\$ 15,578	\$ 5,164
Net Income (Loss)	\$ (41,524)	\$ (13,696)	\$ (55,220)	\$ (80,517)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	21,887	37,372	59,259	59,260
Increase (Decrease) in Retained Earnings	\$ (19,637)	\$ 23,676	\$ 4,039	\$ (21,257)
<u>RETAINED EARNINGS -</u> Beginning of Year	192,901	226,787	419,688	440,945
<u>RETAINED EARNINGS -</u> End of Year	\$ 173,264	\$ 250,463	\$ 423,727	\$ 419,688



CITY OF LAKE CITY, MICHIGAN

ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	<u>WATER</u>	<u>SEWER</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (42,553)	\$ (28,245)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities		
Depreciation	23,028	44,810
(Increase) Decrease in Current Assets		
Accounts Receivable	(2,257)	(6,899)
Inventory	(11,422)	0
Due from Other Funds	250	(7,854)
Due from Other Governments	0	0
Prepaid Expense	(123)	(55)
Increase (Decrease) in Current Liabilities		
Accounts Payable	238	3,519
Due to Other Funds	3,550	3,494
Accrued Expenses	191	277
Net Cash Provided (Used) by Operating Activities	<u>\$ (29,098)</u>	<u>\$ 9,047</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisitions and Construction of Capital Assets	\$ (3,070)	\$ (54,197)
Principal Paid on Revenue Bond Maturities	0	(30,000)
Interest Paid on Revenue Bonds	0	(1,141)
Collections of Special Assessments	1,091	40,883
Payment on Advance from General Fund	0	(7,200)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>\$ (1,979)</u>	<u>\$ (51,655)</u>

STATEMENT D-3

TOTALS

2004	2003
\$ (70,798)	\$ (85,681)
67,838	63,389
(9,156)	25,039
(11,422)	7,356
(7,604)	21,968
0	2,500
(178)	(716)
3,757	5,382
7,044	(26,841)
468	818
\$ (20,051)	\$ 13,214
\$ (57,267)	\$ (13,560)
(30,000)	(179,720)
(1,141)	(14,902)
41,974	37,571
(7,200)	0
\$ (53,634)	\$ (170,611)

CITY OF LAKE CITY, MICHIGAN

ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	<u>WATER</u>	<u>SEWER</u>
Cash Flows from Investing Activities:		
Interest on Investments	\$ 806	\$ 665
Interest on Special Assessments	223	14,145
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	\$ 1,029	\$ 14,810
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (30,048)	\$ (27,798)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>160,283</u>	<u>162,298</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 130,235</u>	<u>\$ 134,500</u>
<u>INTEREST PAID DURING THE YEAR</u>	<u>\$ 0</u>	<u>\$ 1,141</u>

STATEMENT D-3

TOTALS			
2004		2003	
\$	1,471	\$	4,201
	<u>14,368</u>		<u>10,593</u>
\$	<u>15,839</u>	\$	<u>14,794</u>
\$	(57,846)	\$	(142,603)
	<u>322,581</u>		<u>465,184</u>
\$	<u>264,735</u>	\$	<u>322,581</u>
\$	<u>1,141</u>	\$	<u>14,902</u>

CITY OF LAKE CITY, MICHIGAN  
WATER FUND  
COMPARATIVE BALANCE SHEET  
MARCH 31,

	<u>ASSETS</u>	2004	2003
<u>CURRENT ASSETS</u>			
Cash		\$ 55,428	\$ 55,479
Accounts Receivable		8,513	6,256
Inventory		32,632	21,210
Due from Other Funds		426	676
Prepaid Expense		1,184	1,061
Total Current Assets		\$ 98,183	\$ 84,682
<u>RESTRICTED ASSETS</u>			
Cash		\$ 74,807	\$ 104,804
Special Assessments Receivable		12,447	13,538
Total Restricted Assets		\$ 87,254	\$ 118,342
<u>PROPERTY, PLANT AND EQUIPMENT</u>			
Water Wells, Distribution System and Equipment		\$ 1,089,049	\$ 1,085,979
Less Accumulated Depreciation		(468,703)	(445,675)
Net Property, Plant and Equipment		\$ 620,346	\$ 640,304
 TOTAL ASSETS		 \$ 805,783	 \$ 843,328
	<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>			
Accounts Payable		\$ 3,826	\$ 3,588
Accrued Expenses		883	692
Due to Other Funds		3,550	0
Total Liabilities		\$ 8,259	\$ 4,280
<u>FUND EQUITY</u>			
Contributed Capital		\$ 624,260	\$ 646,147
Retained Earnings			
Unreserved		173,264	192,901
Total Fund Equity		\$ 797,524	\$ 839,048
 TOTAL LIABILITIES AND FUND EQUITY		 \$ 805,783	 \$ 843,328

CITY OF LAKE CITY, MICHIGANWATER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31,

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 97,085	\$ 89,649
Hydrant Rental	8,400	5,900
Other	7,212	7,212
Total Operating Revenues	\$ 112,697	\$ 102,761
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 30,665	\$ 29,546
Retirement	2,000	2,000
Health Insurance	6,986	5,720
Uniforms	140	231
Supplies	4,847	4,808
Legal Advertisements	596	105
Contracted Services	3,749	3,995
Audit and Accounting Fees	1,000	1,000
Utilities	23,293	20,144
Repairs and Maintenance	33,391	16,157
Laboratory Analysis	9,730	8,285
Equipment Rental	7,583	8,754
Insurance	7,538	6,711
Continuing Education	0	180
Dues	697	801
Miscellaneous	7	175
Depreciation	23,028	22,663
Total Operating Expenses	\$ 155,250	\$ 131,275
Operating Income (Loss)	\$ (42,553)	\$ (28,514)

CITY OF LAKE CITY, MICHIGANWATER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on Investments	\$ 806	\$ 857
Interest on Special Assessments	223	607
Total Nonoperating Revenues (Expenses)	\$ 1,029	\$ 1,464
Net Income (Loss)	\$ (41,524)	\$ (27,050)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	21,887	21,888
Increase (Decrease) in Retained Earnings	\$ (19,637)	\$ (5,162)
<u>RETAINED EARNINGS</u> - Beginning of Year	192,901	198,063
<u>RETAINED EARNINGS</u> - End of Year	<u>\$ 173,264</u>	<u>\$ 192,901</u>

CITY OF LAKE CITY, MICHIGAN  
WATER FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (42,553)	\$ (28,514)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities		
Depreciation	23,028	22,663
(Increase) Decrease in Current Assets		
Accounts Receivable	(2,257)	8,929
Inventory	(11,422)	7,356
Due from Other Funds	250	7,165
Due from Other Governments	0	2,500
Prepaid Expense	(123)	(193)
Increase (Decrease) in Current Liabilities		
Accounts Payable	238	457
Due to Other Funds	3,550	(4,693)
Accrued Expenses	191	391
Net Cash Provided (Used) for Operating Activities	\$ (29,098)	\$ 16,061
Cash Flows from Capital and Related Financing Activities:		
Collections of Special Assessments	\$ 1,091	\$ 7,624
Acquisitions and Construction of Capital Assets	(3,070)	0
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (1,979)	\$ 7,624
Cash Flows from Investing Activities:		
Interest on Investments	\$ 806	\$ 857
Interest on Special Assessments	223	607
Net Cash Provided by Investing Activities	\$ 1,029	\$ 1,464
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (30,048)	\$ 25,149
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>160,283</u>	<u>135,134</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 130,235</u>	<u>\$ 160,283</u>



CITY OF LAKE CITY, MICHIGANSEWER FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 65,330	\$ 103,142
Accounts Receivable	14,816	7,917
Due from Other Funds	18,574	10,720
Prepaid Expense	1,308	1,253
Total Current Assets	\$ <u>100,028</u>	\$ <u>123,032</u>
<u>RESTRICTED ASSETS</u>		
Cash	\$ 69,170	\$ 59,156
Special Assessments Receivable	110,356	151,239
Total Restricted Assets	\$ <u>179,526</u>	\$ <u>210,395</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Equipment and Vehicles	\$ 191,286	\$ 137,089
Collection and Treatment System	1,761,113	1,761,113
Less Accumulated Depreciation	<u>(712,103)</u>	<u>(667,293)</u>
Net Property, Plant and Equipment	\$ <u>1,240,296</u>	\$ <u>1,230,909</u>
TOTAL ASSETS	\$ <u><u>1,519,850</u></u>	\$ <u><u>1,564,336</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 11,659	\$ 8,140
Accrued Interest	0	880
Other Accrued Expenses	1,433	1,156
Advance from General Fund	0	7,200
Due to Other Funds	3,494	0
Current Portion of Bonds Payable	0	30,000
Total Liabilities	\$ <u>16,586</u>	\$ <u>47,376</u>
<u>FUND EQUITY</u>		
Contributed Capital	\$ 1,252,801	\$ 1,290,173
Retained Earnings		
Unreserved	250,463	226,787
Total Fund Equity	\$ <u>1,503,264</u>	\$ <u>1,516,960</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>1,519,850</u></u>	\$ <u><u>1,564,336</u></u>

CITY OF LAKE CITY, MICHIGANSEWER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31.

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 140,827	\$ 134,059
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 48,243	\$ 46,852
Retirement	2,000	2,000
Health Insurance	6,786	5,463
Uniforms	249	200
Supplies	2,613	4,875
Contracted Services	5,658	2,968
Audit and Accounting Fees	1,000	1,000
Utilities	20,345	19,533
Repairs and Maintenance	21,465	36,955
Laboratory Analysis	5,005	5,481
Equipment Rental	1,212	1,177
Insurance	9,042	8,468
Dues	639	150
Miscellaneous	5	1,432
Prior Period Adjustment	0	13,946
Depreciation	44,810	40,726
Total Operating Expenses	\$ 169,072	\$ 191,226
Operating Income (Loss)	\$ (28,245)	\$ (57,167)

CITY OF LAKE CITY, MICHIGANSEWER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31,

	2004	2003
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on Investments	\$ 665	\$ 3,344
Interest on Special Assessments	14,145	9,986
Interest and Fiscal Charges	(261)	(9,630)
Total Nonoperating Revenues (Expenses)	\$ 14,549	\$ 3,700
Net Income (Loss)	\$ (13,696)	\$ (53,467)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	37,372	37,372
Increase (Decrease) in Retained Earnings	\$ 23,676	\$ (16,095)
<u>RETAINED EARNINGS - Beginning of Year</u>	226,787	242,882
<u>RETAINED EARNINGS - End of Year</u>	\$ 250,463	\$ 226,787

CITY OF LAKE CITY, MICHIGANSEWER FUND  
COMPARATIVE STATEMENT OF CASH FLOWSYEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (28,245)	\$ (57,167)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities		
Depreciation	44,810	40,726
(Increase) Decrease in Current Assets		
Accounts Receivable	(6,899)	16,110
Due from Other Funds	(7,854)	14,803
Prepaid Expense	(55)	(523)
Increase (Decrease) in Current Liabilities		
Accounts Payable	3,519	4,925
Due to Other Funds	3,494	(22,148)
Accrued Expenses	277	427
Net Cash Provided (Used) for Operating Activities	\$ 9,047	\$ (2,847)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (54,197)	\$ (13,560)
Payment on Advance from General Fund	(7,200)	0
Principal Paid on Revenue Bond Maturities	(30,000)	(179,720)
Interest Paid on Revenue Bonds	(1,141)	(14,902)
Collections of Special Assessments	40,883	29,947
Net Cash Used for Capital and Related Financing Activities	\$ (51,655)	\$ (178,235)
Cash Flows from Investing Activities:		
Interest on Investments	\$ 665	\$ 3,344
Interest on Special Assessments	14,145	9,986
Net Cash Provided by Investing Activities	\$ 14,810	\$ 13,330
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (27,798)	\$ (167,752)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>162,298</u>	<u>330,050</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 134,500</u>	<u>\$ 162,298</u>
<u>INTEREST PAID DURING THE YEAR</u>	<u>\$ 1,141</u>	<u>\$ 14,902</u>

INTERNAL SERVICE FUND

Equipment Fund - This fund is used to account for the rental of equipment to other departments and related costs.

CITY OF LAKE CITY, MICHIGANEQUIPMENT FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 139,596	\$ 116,615
Due from Other Funds	59	0
Prepaid Insurance	1,141	976
Total Current Assets	\$ 140,796	\$ 117,591
<u>FIXED ASSETS</u>		
Equipment	\$ 351,741	\$ 325,067
Less Accumulated Depreciation	(225,643)	(201,969)
Net Fixed Assets	\$ 126,098	\$ 123,098
TOTAL ASSETS	\$ 266,894	\$ 240,689
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,713	\$ 575
Accrued Expenses	265	112
Due to Other Funds	0	1,250
Total Liabilities	\$ 1,978	\$ 1,937
<u>FUND EQUITY</u>		
Contributed Capital	\$ 20,000	\$ 20,000
Retained Earnings		
Unreserved	244,916	218,752
Total Fund Equity	\$ 264,916	\$ 238,752
TOTAL LIABILITIES AND FUND EQUITY	\$ 266,894	\$ 240,689

CITY OF LAKE CITY, MICHIGANEQUIPMENT FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED MARCH 31,

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 75,600	\$ 61,720
Equipment Rental		
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 3,333	\$ 5,641
Health and Life Insurance	1,713	1,416
Supplies	2,145	2,004
Gasoline and Oil	3,653	1,700
Audit	500	450
Repairs and Maintenance	6,226	13,222
Insurance	9,091	8,215
Depreciation	23,674	17,811
Total Operating Expenses	\$ 50,335	\$ 50,459
Operating Income (Loss)	\$ 25,265	\$ 11,261
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Revenue	899	1,254
Net Income (Loss)	\$ 26,164	\$ 12,515
<u>RETAINED EARNINGS</u> - Beginning of Year	218,752	206,237
<u>RETAINED EARNINGS</u> - End of Year	\$ 244,916	\$ 218,752

CITY OF LAKE CITY, MICHIGAN  
EQUIPMENT FUND  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 25,265	\$ 11,261
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities	23,674	17,811
Depreciation		
(Increase) Decrease in Current Assets	(59)	14,447
Due from Other Funds	(165)	(264)
Prepaid Insurance		
Increase (Decrease) in Current Liabilities	1,138	(1,587)
Accounts Payable	153	(262)
Accrued Expenses	(1,250)	(18,099)
Due to Other Funds		
Net Cash Provided by Operating Activities	<u>\$ 48,756</u>	<u>\$ 23,307</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	<u>\$ (26,674)</u>	<u>\$ (39,190)</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>\$ 899</u>	<u>\$ 1,254</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 22,981	\$ (14,629)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>116,615</u>	<u>131,244</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 139,596</u></u>	<u><u>\$ 116,615</u></u>



FIDUCIARY FUNDS

Tax Collection Fund - To account for the collection and payment of property tax levies received by the City in an agency capacity.

CITY OF LAKE CITY, MICHIGAN  
FIDUCIARY FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	TAX COLLECTION FUND	PAYROLL FUND	TOTALS	
			2004	2003
<u>ASSETS</u>				
Cash	\$ 333,251	\$ 1,093	\$ 334,344	\$ 515,236
Receivables				
Accounts Receivable	2,166	0	2,166	0
Taxes	65,625	0	65,625	42,471
Due from Other Funds	0	354	354	161
TOTAL ASSETS	<u>\$ 401,042</u>	<u>\$ 1,447</u>	<u>\$ 402,489</u>	<u>\$ 557,868</u>
<u>LIABILITIES</u>				
Withholding Deductions and				
Accrued Expenses	\$ 0	\$ 92	\$ 92	\$ 1,480
Accounts Payable	0	0	0	1,937
Due to Other Governments	75,109	0	75,109	252,900
Due to Other Funds	276,182	1,355	277,537	247,428
Due to Component Units	49,751	0	49,751	54,123
Total Liabilities	<u>\$ 401,042</u>	<u>\$ 1,447</u>	<u>\$ 402,489</u>	<u>\$ 557,868</u>

CITY OF LAKE CITY, MICHIGAN  
FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2004

	BALANCE 4/01/03	INCREASES	DECREASES	BALANCE 3/31/04
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 515,236	\$ 1,135,131	\$ 1,316,023	\$ 334,344
Receivables				
Accounts Receivable	0	2,166	0	2,166
Taxes	42,471	65,625	42,471	65,625
Due from Other Funds	161	225,985	225,792	354
<b>TOTAL ASSETS</b>	<b>\$ 557,868</b>	<b>\$ 1,428,907</b>	<b>\$ 1,584,286</b>	<b>\$ 402,489</b>
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,937	\$ 0	\$ 1,937	\$ 0
Withholding Deductions	1,480	64,249	65,637	92
Due to Other Governments	252,900	75,674	253,465	75,109
Due to Other Funds	247,428	280,045	249,936	277,537
Due to Component Units	54,123	43,154	47,526	49,751
<b>Total Liabilities</b>	<b>\$ 557,868</b>	<b>\$ 463,122</b>	<b>\$ 618,501</b>	<b>\$ 402,489</b>

## CITY OF LAKE CITY, MICHIGAN

TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2004

	BALANCE 4/01/03	INCREASES	DECREASES	BALANCE 3/31/04
<u>ASSETS</u>				
Cash	\$ 513,633	\$ 863,619	\$ 1,044,001	\$ 333,251
Accounts Receivable	0	2,166	0	2,166
Taxes Receivable	42,471	65,625	42,471	65,625
TOTAL ASSETS	<u>\$ 556,104</u>	<u>\$ 931,410</u>	<u>\$ 1,086,472</u>	<u>\$ 401,042</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,937	\$ 0	\$ 1,937	\$ 0
Due to Other Governments	252,900	75,674	253,465	75,109
Due to Other Funds	247,144	278,690	249,652	276,182
Due to Component Unit	54,123	43,154	47,526	49,751
TOTAL LIABILITIES	<u>\$ 556,104</u>	<u>\$ 397,518</u>	<u>\$ 552,580</u>	<u>\$ 401,042</u>

## CITY OF LAKE CITY, MICHIGAN

## PAYROLL FUND

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2004

	BALANCE 4/01/03	INCREASES	DECREASES	BALANCE 3/31/04
<u>ASSETS</u>				
Cash	\$ 1,603	\$ 271,512	\$ 272,022	\$ 1,093
Due from Other Funds	161	225,985	225,792	354
TOTAL ASSETS	\$ 1,764	\$ 497,497	\$ 497,814	\$ 1,447
<u>LIABILITIES</u>				
Withholding Deductions	\$ 1,480	\$ 64,249	\$ 65,637	\$ 92
Due to Other Funds	284	1,355	284	1,355
TOTAL LIABILITIES	\$ 1,764	\$ 65,604	\$ 65,921	\$ 1,447

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured, long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

CITY OF LAKE CITY, MICHIGANGENERAL LONG-TERM DEBT ACCOUNT GROUP  
COMPARATIVE STATEMENT OF GENERAL LONG-TERM DEBTMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>AMOUNT AVAILABLE FOR</u> <u>RETIREMENT OF SERIAL BONDS</u>	\$ 117,669	\$ 100,615
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>PAYMENT OF GENERAL LONG-TERM DEBT</u>	<u>52,331</u>	<u>124,385</u>
	<u>\$ 170,000</u>	<u>\$ 225,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Transportation Bonds Payable	\$ 0	\$ 20,000
Special Assessment Bonds Payable	<u>170,000</u>	<u>205,000</u>
	<u>\$ 170,000</u>	<u>\$ 225,000</u>

COMPONENT UNITS

Downtown Development Authority Fund - This fund is designed to assist in the economic growth of the central business district.

Downtown Development Authority 1993 Debt Retirement Fund - This fund is used to account for the accumulation of resources to pay the 1993 DDA Bond principal and interest.

Downtown Development Authority 2000 Debt Retirement Fund - This fund is used to account for the accumulation of resources to pay the 2000 DDA Bond principal and interest.



CITY OF LAKE CITY, MICHIGAN

COMPONENT UNITS  
COMBINING BALANCE SHEET

MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	DOWNTOWN DEVELOPMENT AUTHORITY FUND	DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUNDS
<u>ASSETS AND OTHER DEBITS</u>		
<u>ASSETS</u>		
Cash	\$ 49,699	\$ 0
Accounts Receivable	0	0
Due from Primary Government	49,751	1,230
Total Assets	<u>\$ 99,450</u>	<u>\$ 1,230</u>
<u>OTHER DEBITS</u>		
Amount Available in Debt Service Funds	\$ 0	\$ 0
Amount to be Provided for Retirement of Long-Term Debt	0	0
Total Other Debits	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 99,450</u>	<u>\$ 1,230</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Serial Bonds Payable	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved	\$ 0	\$ 1,230
Unreserved	99,450	0
Total Fund Balance	<u>\$ 99,450</u>	<u>\$ 1,230</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 99,450</u>	<u>\$ 1,230</u>

# STATEMENT H-1

DOWNTOWN  
DEVELOPMENT  
AUTHORITY  
GENERAL  
LONG-TERM  
DEBT

TOTALS

2004

2003

\$	0	\$	49,699	\$	42,316
	0		0		5,897
	0		50,981		55,353
\$	<u>0</u>	\$	<u>100,680</u>	\$	<u>103,566</u>

\$	1,230	\$	1,230	\$	5,321
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	308,770		308,770		329,679
\$	<u>310,000</u>	\$	<u>310,000</u>	\$	<u>335,000</u>

\$	<u>310,000</u>	\$	<u>410,680</u>	\$	<u>438,566</u>
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\$	<u>310,000</u>	\$	<u>310,000</u>	\$	<u>335,000</u>
----	----------------	----	----------------	----	----------------

\$	0	\$	1,230	\$	5,321
	0		99,450		98,245
\$	<u>0</u>	\$	<u>100,680</u>	\$	<u>103,566</u>

\$	<u>310,000</u>	\$	<u>410,680</u>	\$	<u>438,566</u>
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CITY OF LAKE CITY, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	DOWNTOWN DEVELOPMENT AUTHORITY FUND	DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUNDS
<u>REVENUES</u>		
Taxes	\$ 43,155	\$ 0
Interest	391	11
Other	2,678	0
Sale of Assets	0	0
Total Revenues	\$ 46,224	\$ 11
<u>EXPENDITURES</u>		
Economic Development	\$ 5,982	\$ 0
Debt Service		
Principal	0	25,000
Interest	0	18,139
Total Expenditures	\$ 5,982	\$ 43,139
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,242	\$ (43,128)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In	\$ 0	\$ 39,037
Operating Transfers Out	(39,037)	0
Total Other Financing Sources (Uses)	\$ (39,037)	\$ 39,037
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 1,205	\$ (4,091)
<u>FUND BALANCE</u> - Beginning of Year	98,245	5,321
<u>FUND BALANCE</u> - End of Year	\$ 99,450	\$ 1,230

STATEMENT H-2

TOTALS			
2004		2003	
\$	43,155	\$	54,122
	402		666
	2,678		0
	0		5,898
\$	46,235	\$	60,686
\$	5,982	\$	1,297
	25,000		25,000
	18,139		19,418
\$	49,121	\$	45,715
\$	(2,886)	\$	14,971
\$	39,037	\$	44,418
	(39,037)		(44,418)
\$	0	\$	0
\$	(2,886)	\$	14,971
	103,566		88,595
\$	100,680	\$	103,566

CITY OF LAKE CITY, MICHIGANDOWNTOWN DEVELOPMENT AUTHORITY FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 49,699	\$ 38,225
Accounts Receivable	0	5,897
Due from Primary Government	49,751	54,123
TOTAL ASSETS	<u>\$ 99,450</u>	<u>\$ 98,245</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	99,450	98,245
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 99,450</u>	<u>\$ 98,245</u>

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEYEAR ENDED MARCH 31,

	2004	2003
<u>REVENUES</u>		
Taxes		
Current Property Tax	\$ 42,272	\$ 53,441
Delinquent Taxes	883	681
Interest	391	621
Other	2,678	0
Sale of Assets	0	5,898
Total Revenues	\$ 46,224	\$ 60,641
<u>EXPENDITURES</u>		
Economic Development		
Improvements/Contracted Services	\$ 5,982	\$ 650
Taxes Abated and Written Off	0	297
Audit	0	350
Total Expenditures	\$ 5,982	\$ 1,297
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,242	\$ 59,344
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers Out	(39,037)	(44,418)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 1,205	\$ 14,926
<u>FUND BALANCE - Beginning of Year</u>	98,245	83,319
<u>FUND BALANCE - End of Year</u>	\$ 99,450	\$ 98,245

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUNDS  
COMBINING BALANCE SHEET

MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	1993 DEBT RETIREMENT FUND	2000 DEBT RETIREMENT FUND	TOTALS	
			2004	2003
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 0	\$ 4,091
Due from Primary Government	0	1,230	1,230	1,230
 TOTAL ASSETS	 \$ 0	 \$ 1,230	 \$ 1,230	 \$ 5,321
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Reserved for Debt Service	0	1,230	1,230	5,321
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 0	 \$ 1,230	 \$ 1,230	 \$ 5,321

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2004  
WITH COMPARATIVE TOTALS FOR YEAR ENDED MARCH 31, 2003

	1993 DEBT RETIREMENT FUND	2000 DEBT RETIREMENT FUND	TOTALS	
			2004	2003
<u>REVENUES</u>				
Interest	\$ 11	\$ 0	\$ 11	\$ 45
<u>EXPENDITURES</u>				
Debt Service				
Principal	\$ 10,000	\$ 15,000	\$ 25,000	\$ 25,000
Interest	520	17,619	18,139	19,418
Total Expenditures	\$ 10,520	\$ 32,619	\$ 43,139	\$ 44,418
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,509)	\$ (32,619)	\$ (43,128)	\$ (44,373)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	6,418	32,619	39,037	44,418
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (4,091)	\$ 0	\$ (4,091)	\$ 45
<u>FUND BALANCE - Beginning of Year</u>	4,091	1,230	5,321	5,276
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 1,230	\$ 1,230	\$ 5,321



CITY OF LAKE CITY, MICHIGANDOWNTOWN DEVELOPMENT AUTHORITY 1993 DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ <u>0</u>	\$ <u>4,091</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>0</u>	<u>4,091</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>0</u></b>	<b>\$ <u>4,091</u></b>

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY 1993 DEBT RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Interest		
Interest on Investments	\$ 11	\$ 45
<u>EXPENDITURES</u>		
Debt Retirement		
Principal Retirement	\$ 10,000	\$ 10,000
Interest on Bonded Debt	520	1,030
Total Expenditures	\$ 10,520	\$ 11,030
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,509)	\$ (10,985)
<u>OTHER FINANCING SOURCES</u>		
Operating Transfers In	6,418	11,030
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ (4,091)	\$ 45
<u>FUND BALANCE - Beginning of Year</u>	<u>4,091</u>	<u>4,046</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 0</u>	<u>\$ 4,091</u>

CITY OF LAKE CITY, MICHIGANDOWNTOWN DEVELOPMENT AUTHORITY 2000 DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEETMARCH 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 0
Due from Primary Government	<u>1,230</u>	<u>1,230</u>
TOTAL ASSETS	<u>\$ 1,230</u>	<u>\$ 1,230</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>1,230</u>	<u>1,230</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,230</u>	<u>\$ 1,230</u>

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY 2000 DEBT RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Interest		
Interest on Investments	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Debt Retirement		
Principal	\$ 15,000	\$ 15,000
Interest on Bonded Debt	17,619	18,388
Total Expenditures	\$ 32,619	\$ 33,388
Excess (Deficiency) of Revenues Over Expenditures	\$ (32,619)	\$ (33,388)
<u>OTHER FINANCING SOURCES</u>		
Operating Transfers In	32,619	33,388
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	1,230	1,230
<u>FUND BALANCE</u> - End of Year	\$ 1,230	\$ 1,230

CITY OF LAKE CITY, MICHIGANCOMPARATIVE STATEMENT OF COMPONENT UNIT GENERAL LONG-TERM DEBT  
MARCH 31,

	<u>2004</u>	<u>2003</u>
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR</u> <u>PAYMENT OF GENERAL LONG-TERM DEBT</u>		
Amount Available for Retirement of Serial Bonds	\$ 1,230	\$ 5,321
Amount to be Provided for Retirement of Serial Bonds	<u>308,770</u>	<u>329,679</u>
TOTAL AVAILABLE AND TO BE PROVIDED	<u>\$ 310,000</u>	<u>\$ 335,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Serial Bonds Payable - 1993	\$ 0	\$ 10,000
Serial Bonds Payable - 2000	<u>310,000</u>	<u>325,000</u>
TOTAL LONG-TERM DEBT PAYABLE	<u>\$ 310,000</u>	<u>\$ 335,000</u>

## CITY OF LAKE CITY, MICHIGAN

1997 SANITARY DRAIN COMMISSION BONDS PAYABLE  
MARCH 31, 2004

DATE OF ISSUE

May 1, 1997

AMOUNT OF ISSUE

\$ 350,000

AMOUNT REDEEMED

Prior Years

\$ 145,000

Current Year

35,000 180,000

BALANCE OUTSTANDING - March 31, 2004

\$ 170,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2004	5.15%	\$ 40,000	4,444	44,444
November 1, 2004			3,414	3,414
May 1, 2005	5.20%	40,000	3,414	43,414
November 1, 2005			2,374	2,374
May 1, 2006	5.25%	45,000	2,374	47,374
November 1, 2006			1,193	1,193
May 1, 2007	5.30%	45,000	1,193	46,193
		\$ 170,000	\$ 18,406	\$ 188,406

## CITY OF LAKE CITY, MICHIGAN

DOWNTOWN DEVELOPMENT SERIES 2000 BONDS PAYABLE  
MARCH 31, 2004

DATE OF ISSUE May 1, 2000

AMOUNT OF ISSUE \$ 350,000

AMOUNT REDEEMED

Prior Year	\$ 25,000	
Current Year	15,000	40,000

BALANCE OUTSTANDING - March 31, 2004 \$ 310,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2004	5.25%	\$ 15,000	\$ 8,616	\$ 23,616
November 1, 2004			8,222	8,222
May 1, 2005	5.30%	20,000	8,222	28,222
November 1, 2005			7,693	7,693
May 1, 2006	5.35%	20,000	7,693	27,693
November 1, 2006			7,158	7,158
May 1, 2007	5.40%	20,000	7,158	27,158
November 1, 2007			6,618	6,618
May 1, 2008	5.45%	25,000	6,618	31,618
November 1, 2008			5,936	5,936
May 1, 2009	5.50%	25,000	5,936	30,936
November 1, 2009			5,249	5,249
May 1, 2010	5.55%	25,000	5,249	30,249
November 1, 2010			4,555	4,555
May 1, 2011	5.60%	30,000	4,555	34,555
November 1, 2011			3,715	3,715
May 1, 2012	5.65%	30,000	3,715	33,715
November 1, 2012			2,868	2,868
May 1, 2013	5.70%	30,000	2,868	32,868
November 1, 2013			2,013	2,013
May 1, 2014	5.75%	35,000	2,013	37,013
November 1, 2014			1,006	1,006
May 1, 2015	5.75%	35,000	1,006	36,006
		\$ 310,000	\$ 118,682	\$ 428,682

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JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

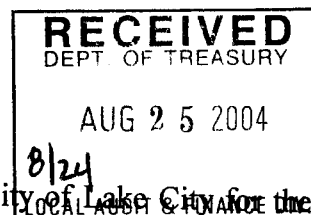
JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 21, 2004

City of Lake City  
Lake City, Michigan



As a result of our audit of the general-purpose financial statements of the City of Lake City for the year ended March 31, 2004, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the City:

2000 DDA Debt Retirement Fund

The portion of the 2000 DDA bond issue that was attributable to accrued interest earned is required to be deposited into the Debt Retirement Fund. Currently, the funds are in the Local Street Fund. The funds need to be paid to the 2000 DDA Debt Retirement Fund and a separate bank account needs to be set up.

Utility Billings and Assessments

Although the City continues to make improvements in the area of posting of utility receipts, in order to insure the correct posting of the payments, the accounts receivable subsidiary should be reconciled to the general ledger on a monthly basis.

Tax Settlement

The City needs to improve their system of tracking tax receipts. This will make the process of paying the other government units and settling with the county much easier. There is software available that would track receipts and provide additional information to improve the tax collection process.

GASB 34

The Governmental Accounting Standards Board (GASB) has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For the City of Lake City, GASB 34 will become effective for the year beginning April 1, 2004.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.



- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to for-profit business financial statements.

We are available to assist the City with making the necessary changes to implement GASB 34 for the year ending in March 31, 2005.

### Internal Controls

During the course of our audit of the general-purpose financial statements of the City of Lake City, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements:

- (a) The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Council to establish a larger accounting staff in order to implement proper segregation of duties, and we note this item here only to maintain the City Council's awareness of this limitation in their internal controls.
- (b) The City is not reconciling accounts receivable on a monthly basis.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above are material weaknesses.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the various municipal employees during the course of our audit of the general-purpose financial statements of the City of Lake City. We would like to thank the Council for awarding our firm the audit engagement for the City. If there are any questions relative to the above comments and recommendations or any other areas of your annual accounting, please call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop PC